



CALIFORNIA Economic Indicators

January–February 2006

Modest Start to 2006

Recent California indicators show 2006 started off with less momentum.

REVIEW OF RECENT ECONOMIC DEVELOPMENTS

New employment figures for 2005 indicate that the state grew faster than previously estimated, but ended the year more subdued. On a related front, the slowdown in housing markets that began in the fourth quarter of 2005 extended into 2006 as sales and construction activity continued to fall.

Employment

The latest California labor market report released by the Employment Development Department at the beginning of March incorporated the annual benchmark revisions to the historical employment statistics. Even though these revisions were small on an absolute basis—raising 2005 employment just one-tenth of one percent—they produced conflicting implications for the state's outlook. They showed that California's job growth throughout most of 2005 was stronger than previously reported but was weaker at the end of the year. So, last year's performance looks better, but 2006 began with less momentum.

For 2005 as a whole, total industry employment was revised upward by just 16,700 jobs. After the revisions, employment grew by 1.8 percent from 2004 versus 1.6 percent under the previous estimates. The pattern changed, however. December's employment gain, initially reported as 24,300, was revised down to 4,900—a large downward revision—and November's gain was revised down from 32,500 to 24,400. But the revisions to the July through October gains were all positive and totaled 81,100. So, job growth in the second half of 2005 was considerably stronger than initially reported, averaging 29,900 per month instead of 21,000 per month.

Job growth across industries was largely unchanged with the revisions. Construction still accounted for an outsized proportion of job gains. Even though building industry job gains were reduced with the revisions, they still equaled 20 percent of overall job growth despite the fact that the industry accounts of only 6 percent of total employment. Under the old estimates, construction growth was 25 percent of overall gains in 2005. The strongest upward revisions were in professional and business services and financial activities. Business services is now 2005's leading job gainer, displacing construction. The largest downward revisions were made to manufacturing and information, whose job gains were reduced by 23,000 and 11,000 respectively. In both cases, year-over-year gains were revised into losses. The trade, transportation,

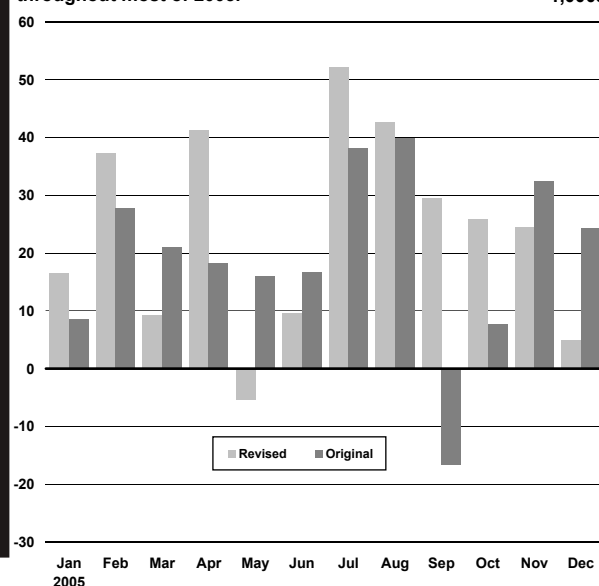
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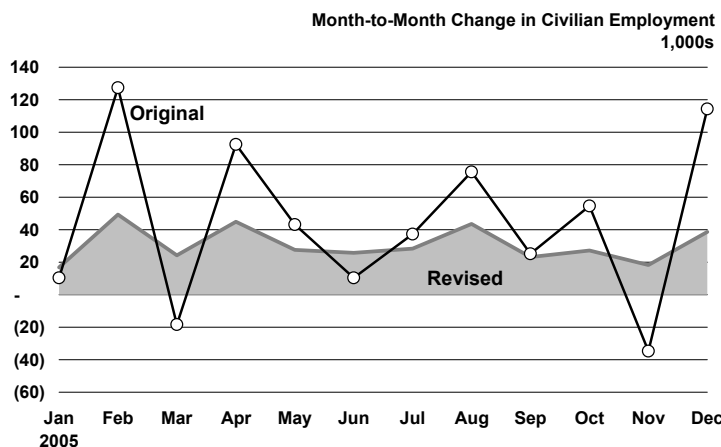
FIGURE 1 More Jobs in 2005

Revised employment estimates show stronger job growth throughout most of 2005.

Month-to-Month Change in
Nonfarm Employment
1,000s



Revisions Reduce Civilian Employment Volatility



and utility sector received the most dramatic revision. Its total employment rose by 1.4 percent and its year-over-year gain was more than doubled, from 23,400 to 59,600.

What do the new employment estimates tell about the current state of California? Broad-based employment gains continued at a respectable pace as 2006 began, bettering those in the nation on a year-over-year percentage basis. The state gained 18,300 nonfarm payroll jobs in January, which was a considerable improvement over December's small 4,900-job gain, but weaker than the average monthly gain of 29,900 in the second half of last year. Still, employment in January was up 2.0 percent from the same month of 2005. Over the same period, national employment grew by only 1.6 percent.

Six of the 11 major industry sectors gained jobs in January. Trade, transportation, and utilities added 9,900 jobs; professional and business services, 9,800; leisure and hospitality, 4,600; educational and health services, 4,300; financial activities, 1,100; and government, 800. The largest job loss was 6,600 in information. Manufacturing lost 4,200; construction, 1,300; and natural resources and mining, 100. Employment in other services was unchanged.

Nine of California's major industry sectors gained jobs over the 12 months ending in January 2006. Construction added 75,700; professional and business services, 65,900; leisure and hospitality, 41,700; trade, transportation, and utilities, 40,800; educational and health services, 28,500; government, 25,400; financial activities, 23,700; other services, 11,300; and natural resources and mining, 600. Only the manufacturing and information sectors lost jobs, losing 17,200 and 6,800 respectively.

Unemployment rate lowest since 2001

California's unemployment rate dropped from 5.1 percent in December to 4.9 percent in January, the lowest rate since March 2001. The national unemployment rate was 4.7 percent in January.

The annual civilian employment revision process was expected to rectify the unusual month-to-month volatility that appeared as 2005 unfolded. Revised civilian employment estimates for 2005 do appear more stable. Several inordinately large increases were reduced. Moreover, according to the new estimates, civilian employment growth more closely tracks industry employment estimates. Civilian employment grew 2.1 percent in 2005 under the revised estimates, which is close to the 1.8 percent industry employment growth. In the old estimates, civilian employment significantly outpaced industry employment, 2.6 percent versus 1.6 percent.

Building Activity

Multi-family home building slows

Slower home building may be the clearest signal of a cooling housing market. Since August 2005, residential permitting in California has followed a declining see-saw pattern of alternating monthly gains and losses. Over the six months ending with January 2006, residential permitting was down over 8 percent from the same months a year earlier. The most dramatic slowdown was in multi-family construction, which was down over 21 percent.

Nonresidential building gets off to a good start in 2006

Even though commercial construction also followed a see-saw pattern since August, the gains greatly outweighed the reductions. Over the six months ending with January 2006, the value of nonresidential permitting increased over 27 percent from the same months a year earlier. Permits issued in January 2006 were up over 56 percent from a year ago. The improvement was driven largely by strong increases in office and hotel/motel construction.

Real Estate

Home prices holding up while sales slide

California home prices were unchanged in January, lingering in the same \$530-to-\$550 thousand neighborhood they've been in since June 2005 (except for the \$570,000 spike in August). The median price of existing single-family homes sold in January was \$551,300, a slight increase from December and nearly 14 percent higher than a year ago.

In contrast, home sales slowed for the fourth consecutive month in January, both on a month-to-month and a year-over-year basis. Sales of existing, single-family homes fell nearly 6 percent in January to a seasonally adjusted annual rate of 500,470 units. The slowdown was widespread, affecting all major regions of California. This pace also represents a 24-percent drop from January 2005. Overall, the pace of home sales during the four months ending with January 2006 slowed by 14 percent from the same months a year earlier.

FIGURE 3

Home Building Slides at Close of 2005

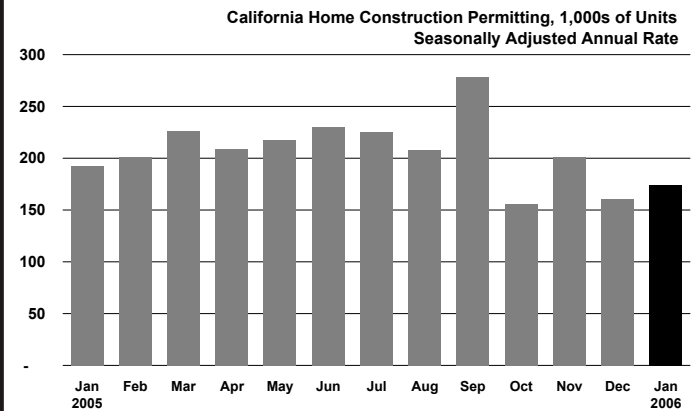
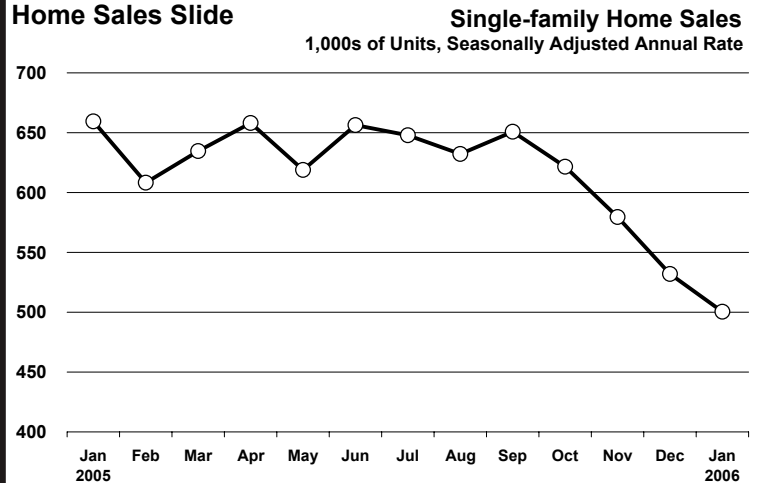


FIGURE 4

Home Sales Slide



Select Indicators

	2005				2006	Year-Over
	Jan	Oct	Nov	Dec	Jan	% Change
EMPLOYMENT (Seasonally adjusted)						
Civilian employment (000)	16,561	16,855	16,874	16,912	16,856	1.8%
Unemployment (000)	1,026	924	910	911	875	-14.7%
Unemployment rate	5.8	5.2	5.1	5.1	4.9	--
Nonagricultural wage and salary employment (000) a/	14,647.6	14,889.6	14,914.0	14,918.9	14,937.2	2.0%
Goods-producing industries	2,402.9	2,453.1	2,460.9	2,467.6	2,462.0	2.5%
Natural resources and mining	23.0	23.8	23.7	23.7	23.6	2.6%
Construction	856.3	919.5	926.8	933.3	932.0	8.8%
Manufacturing	1,523.6	1,509.8	1,510.4	1,510.6	1,506.4	-1.1%
Service-providing industries	12,244.7	12,436.5	12,453.1	12,451.3	12,475.2	1.9%
Trade, transportation, and utilities	2,799.4	2,834.1	2,830.9	2,830.3	2,840.2	1.5%
Information	473.1	474.9	483.0	472.9	466.3	-1.4%
Financial activities	915.2	935.2	936.5	937.8	938.9	2.6%
Professional and business services	2,121.8	2,168.3	2,172.6	2,177.9	2,187.7	3.1%
Educational and health services	1,573.2	1,594.2	1,599.0	1,597.4	1,601.7	1.8%
Leisure and hospitality	1,455.8	1,487.8	1,490.2	1,492.9	1,497.5	2.9%
Other services	505.3	515.4	514.6	516.6	516.6	2.2%
Government	2,400.9	2,426.6	2,426.3	2,425.5	2,426.3	1.1%
High-technology industries b/	868.1	871.0	873.2	872.7	869.5	0.2%
Computer and electronic products manufacturing	322.3	321.1	322.4	321.4	320.2	-0.7%
Aerospace products and parts manufacturing	73.2	72.9	72.4	73.0	72.6	-0.8%
Software publishers	42.2	41.6	41.5	41.6	41.3	-2.1%
Telecommunications	118.1	112.6	112.9	112.1	111.9	-5.2%
Internet service providers	48.2	50.0	50.3	50.4	50.0	3.7%
Computer systems design	168.2	176.3	176.9	177.2	176.1	4.7%
Scientific research and development	95.9	96.5	96.8	97.0	97.4	1.6%
HOURS AND EARNINGS IN MANUFACTURING (Not seasonally adjusted)						
Average weekly hours	39.7	40.6	40.1	39.8	39.7	0.0%
Average weekly earnings	\$618.92	\$639.45	\$630.37	\$631.23	\$630.83	1.9%
Average hourly earnings	\$15.59	\$15.75	\$15.72	\$15.86	\$15.89	1.9%
CONSUMER PRICE INDEX (1982-84=100) (Not seasonally adjusted)						
All Urban Consumers Series						
California Average	n.a.	207.1	n.a.	204.2	n.a.	--
San Francisco CMSA	n.a.	205.9	n.a.	203.4	n.a.	--
Los Angeles CMSA	195.4	206.9	205.6	203.9	206.0	5.4%
Urban Wage Earners and Clerical Workers Series						
California Average	n.a.	200.5	n.a.	197.1	n.a.	--
San Francisco CMSA	n.a.	202.6	n.a.	199.3	n.a.	--
Los Angeles CMSA	188.5	200.0	198.4	196.5	198.3	5.2%
CONSTRUCTION						
Private residential housing units authorized (000) c/	193	156	201	160	174	-10.0%
Single units	142	125	143	125	127	-10.5%
Multiple units	51	31	57	35	47	-8.4%
Residential building authorized valuation (millions) d/	40,147	\$35,255	\$46,596	\$39,328	\$40,580	1.1%
Nonresidential building authorized valuation (millions) d/	16,338	\$17,624	\$23,984	\$18,717	\$25,563	56.5%
Nonresidential building authorized valuation (millions) e/	1,134	1,564	1,729	1,507	1,768	56.0%
Commercial	293	510	578	504	714	143.6%
Industrial	123	158	146	112	131	6.8%
Other	209	300	437	338	248	18.6%
Alterations and additions	509	596	567	553	675	32.7%
AUTO SALES (Seasonally adjusted)						
New auto registrations (number)	145,235	147,285	160,155	138,073	n.a.	--

a/ The wage and salary employment information is based on the new North American Industry Classification System (NAICS).

b/ Not seasonally adjusted

c/ Seasonally adjusted at annual rate

d/ Seasonally adjusted

e/ Not seasonally adjusted

n.a. Not available

Select Indicators *Continued*

VACANCY RATES FOR FOURTH QUARTER 2005 (Percent)

	Office Downtown		Office Suburban		Office Metropolitan		Industrial	
	4Q05	4Q04	4Q05	4Q04	4Q05	4Q04	4Q05	4Q04
Northern and Central California:								
Oakland	13.7	14.9	13.6	16.7	13.6	16.3	n.a.	n.a.
Sacramento	12.9	13.8	12.7	14.0	12.7	13.9	11.9	15.9
San Francisco	12.0	15.2	17.3	23.0	17.3	17.6	12.1	13.8
San Jose	23.2	18.4	13.9	18.3	13.9	18.4	n.a.	n.a.
Southern California:								
Los Angeles Metro	14.6	16.7	10.5	12.7	11.1	13.4	7.1	8.1
Orange County	n.a.	n.a.	6.1	10.4	6.1	10.4	8.0	8.7
San Diego	10.1	9.5	8.6	9.9	8.6	9.8	9.1	11.1
Ventura County	n.a.	n.a.	8.7	9.0	8.7	9.0	n.a.	n.a.
National Average	12.7	14.2	14.6	17.1	13.9	16.0	9.7	11.0

FOREIGN TRADE THROUGH CALIFORNIA

SALES OF EXISTING SINGLE-FAMILY HOMES

		Median Price	Units (SAAR)
2002	Jan	\$287,076	584,251
	Feb	294,865	610,379
	Mar	305,838	586,225
	Apr	317,121	643,026
	May	319,591	620,301
	Jun	324,638	533,840
	Jul	321,903	540,797
	Aug	334,273	562,783
	Sep	322,452	493,803
	Oct	324,672	579,240
	Nov	328,440	542,121
	Dec	338,836	573,786
2003	Jan	\$336,212	584,600
	Feb	326,645	566,890
	Mar	351,134	567,609
	Apr	364,040	583,333
	May	367,627	572,265
	Jun	374,535	572,128
	Jul	381,938	595,858
	Aug	406,142	645,721
	Sep	384,686	631,881
	Oct	379,119	636,688
	Nov	384,472	627,190
	Dec	401,724	637,078
2004	Jan	\$404,463	615,659
	Feb	391,550	589,220
	Mar	428,060	590,220
	Apr	452,680	640,710
	May	463,320	632,380
	Jun	468,050	633,660
	Jul	462,145	639,910
	Aug	473,520	591,150
	Sep	463,630	626,210
	Oct	459,530	639,571
	Nov	471,980	652,340
	Dec	474,270	645,860
2005	Jan	\$484,580	659,410
	Feb	471,620	608,170
	Mar	496,550	634,700
	Apr	509,630	658,060
	May	522,590	618,920
	Jun	543,120	656,310
	Jul	540,900	647,910
	Aug	568,890	632,240
	Sep	543,980	650,780
	Oct	538,770	621,530
	Nov	548,680	579,560
	Dec	548,640	531,910
2006	Jan	\$551,300	500,470

PORTS

Exports	Imports
(\$ millions)	
\$8,688	\$15,517
8,429	15,768
9,945	16,318
9,274	17,807
9,814	17,568
9,984	18,988
9,335	18,998
9,948	19,686
9,286	19,478
8,794	18,753
9,046	20,522
8,797	19,060
\$8,408	\$17,588
8,423	16,359
9,784	18,789
9,158	19,151
9,090	18,537
9,743	19,774
9,604	20,743
9,626	19,846
8,968	21,060
10,341	23,021
9,969	21,320
10,437	20,528
\$9,062	\$19,996
9,536	18,011
11,420	22,589
10,249	21,722
10,460	21,760
10,481	23,971
10,388	24,162
10,118	24,127
10,446	23,974
10,460	25,279
9,792	25,769
10,628	22,863
\$9,405	\$22,776
9,756	21,738
11,390	23,735
10,356	24,337
10,882	24,774
11,108	26,153
10,828	26,452
11,166	26,452
10,825	28,012
11,371	28,847
11,194	27,030
11,709	26,024
\$10,848	\$25,555

DOD PRIME CONTRACTS *a/*

	\$ millions	% of U.S.
1993-94	22,573	20.5%
1994-95	18,277	16.8%
1995-96	18,230	16.7%
1996-97	18,477	17.3%
1997-98	17,401	15.9%
1998-99	17,372	15.1%
1999-00	18,100	14.7%
2000-01	19,939	14.7%
2001-02	23,816	15.0%
2002-03	28,681	15.0%
2003-04	27,875	13.7%

a/ U.S. fiscal year: October through September

n.a. Not available

Leading Indicators/^a

		Manufacturing		Unemployment	New	Housing Unit
		Overtime	Average	Insurance	Business	Authorizations
		Hours	Weekly Hours	Initial Claims	Incorporations	(Thousands)
2001	Jan	4.1	39.9	47,433	7,556	205.3
	Feb	4.2	40.2	51,754	6,436	136.7
	Mar	4.0	39.9	53,976	6,574	143.7
	Apr	3.5	39.5	52,045	6,239	153.3
	May	3.8	39.6	56,344	6,757	152.1
	Jun	3.8	39.3	54,585	6,425	147.4
	Jul	3.7	39.5	55,086	6,532	129.3
	Aug	3.9	39.6	57,220	7,243	162.6
	Sep	3.9	39.7	59,321	5,893	113.5
	Oct	3.8	39.4	62,955	7,002	141.2
	Nov	3.6	39.0	58,250	7,315	139.3
	Dec	3.7	39.4	49,212	6,912	161.4
2002	Jan	3.8	39.0	67,463	7,283	160.6
	Feb	3.9	39.4	56,462	6,867	163.3
	Mar	4.1	39.9	61,127	7,381	143.1
	Apr	4.1	39.9	62,452	7,348	163.4
	May	4.1	39.6	61,029	8,597	157.0
	Jun	4.1	39.9	58,896	6,988	149.1
	Jul	3.9	39.3	61,909	7,252	179.3
	Aug	4.0	39.8	61,152	7,552	169.3
	Sep	3.9	39.9	60,528	7,285	182.1
	Oct	3.9	39.6	61,567	8,053	206.0
	Nov	3.8	39.6	59,053	7,545	187.2
	Dec	3.9	39.8	60,417	7,736	150.2
2003	Jan	3.9	39.6	61,430	7,430	198.2
	Feb	4.0	39.8	59,637	8,677	253.2
	Mar	3.7	39.7	59,723	7,242	180.1
	Apr	3.7	39.7	63,614	7,875	189.7
	May	3.7	39.8	61,106	7,864	210.0
	Jun	3.7	39.9	60,771	7,873	175.8
	Jul	3.8	39.5	60,213	8,026	196.8
	Aug	3.8	39.5	57,664	7,045	183.3
	Sep	3.9	39.5	57,320	8,267	189.4
	Oct	3.9	39.6	58,650	7,952	213.2
	Nov	4.0	40.1	54,900	7,474	185.4
	Dec	3.9	39.6	52,281	8,424	192.2
2004	Jan	4.1	40.0	51,052	8,086	204.0
	Feb	4.1	40.2	51,195	8,715	209.6
	Mar	4.2	40.2	49,142	8,573	223.2
	Apr	4.4	40.0	49,413	8,428	208.6
	May	4.5	40.3	46,621	8,291	201.5
	Jun	4.2	39.9	49,874	8,905	219.9
	Jul	4.4	40.2	48,251	8,376	200.1
	Aug	4.2	40.1	47,573	8,310	216.8
	Sep	4.0	39.3	46,799	8,571	221.2
	Oct	4.3	39.8	44,947	7,704	178.4
	Nov	4.3	39.8	47,368	8,979	250.0
	Dec	4.4	39.8	49,438	9,263	221.1
2005	Jan	4.5	40.3	50,966	5,869	192.8
	Feb	4.5	40.0	46,024	9,147	201.0
	Mar	4.4	40.0	45,384	9,489	226.5
	Apr	4.5	40.1	44,498	9,451	208.8
	May	4.4	39.9	43,494	9,811	217.5
	Jun	4.3	39.6	42,711	9,419	230.2
	Jul	4.3	39.9	40,706	8,778	225.6
	Aug	4.6	39.9	40,975	9,226	208.0
	Sep	4.4	40.0	40,597	8,934	278.5
	Oct	4.6	40.5	37,628	8,133	156.1
	Nov	4.2	39.7	39,949	9,064	200.7
	Dec	4.2	39.3	42,641	9,394	160.2
2006	Jan	4.2	40.3	42,846	n.a.	173.6

a/ Seasonally adjusted by the California Department of Finance.

Coincident Indicators/^a

		Nonagricultural Employment (Thousands)	Manufacturing Employment (Thousands)	Unemployment Rate (Percent)	Unemployment Avg. Weeks Claimed (Thousands)
2002	Jan	14,440	1,679	6.5	518
	Feb	14,450	1,671	6.6	544
	Mar	14,475	1,668	6.7	534
	Apr	14,462	1,662	6.7	538
	May	14,478	1,658	6.7	555
	Jun	14,464	1,651	6.8	540
	Jul	14,430	1,639	6.7	547
	Aug	14,455	1,633	6.7	525
	Sep	14,447	1,627	6.7	531
	Oct	14,463	1,621	6.7	538
	Nov	14,480	1,611	6.8	508
	Dec	14,453	1,600	6.8	511
2003	Jan	14,437	1,590	6.9	520
	Feb	14,421	1,580	6.9	522
	Mar	14,398	1,572	6.8	521
	Apr	14,392	1,564	6.9	567
	May	14,387	1,556	6.9	543
	Jun	14,381	1,549	6.9	550
	Jul	14,359	1,538	6.9	552
	Aug	14,380	1,540	6.9	528
	Sep	14,368	1,540	6.8	525
	Oct	14,407	1,537	6.9	517
	Nov	14,390	1,535	6.8	509
	Dec	14,391	1,535	6.7	503
2004	Jan	14,426	1,537	6.6	457
	Feb	14,444	1,535	6.5	453
	Mar	14,461	1,534	6.5	444
	Apr	14,473	1,537	6.4	438
	May	14,494	1,537	6.4	416
	Jun	14,496	1,533	6.3	449
	Jul	14,569	1,545	6.2	404
	Aug	14,554	1,535	6.1	420
	Sep	14,552	1,530	6.1	416
	Oct	14,619	1,528	6.0	390
	Nov	14,641	1,526	5.9	402
	Dec	14,631	1,520	5.9	398
2005	Jan	14,648	1,524	5.8	406
	Feb	14,685	1,521	5.6	395
	Mar	14,694	1,516	5.5	388
	Apr	14,735	1,516	5.4	368
	May	14,730	1,511	5.4	362
	Jun	14,740	1,508	5.4	386
	Jul	14,792	1,512	5.3	349
	Aug	14,834	1,509	5.2	366
	Sep	14,864	1,507	5.2	332
	Oct	14,890	1,510	5.2	334
	Nov	14,914	1,510	5.1	340
	Dec	14,919	1,511	5.1	317
2006	Jan	14,937	1,506	4.9	349

		Personal Income (\$ millions)	Total Wages & Salaries (\$ millions)	Taxable Sales (\$ millions)
2001	Qtr I	\$1,142,025	\$652,950	\$111,989
	Qtr II	1,134,846	647,680	111,275
	Qtr III	1,132,057	641,413	108,517
	Qtr IV	1,132,288	640,383	109,442
2002	Qtr I	\$1,141,567	\$642,169	\$108,528
	Qtr II	1,149,063	642,226	109,986
	Qtr III	1,147,230	639,685	111,384
	Qtr IV	1,153,614	643,855	110,449
2003	Qtr I	\$1,159,936	\$646,156	\$112,286
	Qtr II	1,176,555	655,812	113,415
	Qtr III	1,190,678	664,883	117,636
	Qtr IV	1,209,063	671,187	116,023
2004	Qtr I	\$1,229,352	\$682,144	\$122,428
	Qtr II	1,248,192	690,250	123,851
	Qtr III	1,262,883	700,403	125,590
	Qtr IV	1,309,389	723,340	124,188
2005	Qtr I	\$1,311,164	\$730,155	n.a.
	Qtr II	1,331,118	741,054	n.a.

a/ Seasonally adjusted by the California Department of Finance with the exception of the nonagricultural and manufacturing employment and the unemployment rate which are seasonally adjusted by the California Employment Development Department.
n.a. Not available

ECONOMIC INDICATOR CHARTS

Series classification as leading or coincident indicators generally follows that established by the National Bureau of Economic Research. The exceptions to this are manufacturing employment and taxable sales. These series are discussed in the technical note below.

Whenever appropriate, data used in the charts have been seasonally adjusted. The method of seasonal adjustment is the X-12 Arima program. Persons interested in a detailed description of this method are referred to the U.S. Census Bureau's Statistical Research Division.

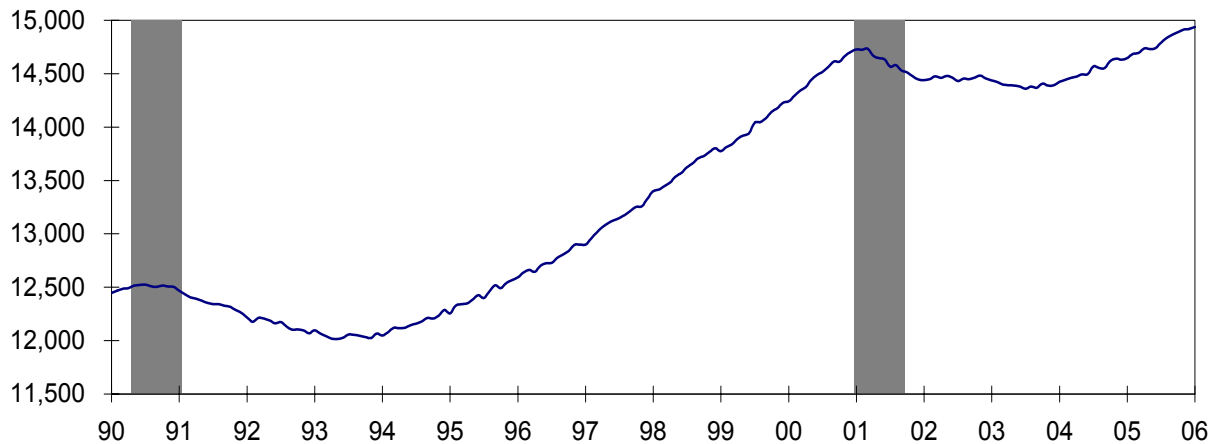
Under the X-12 Arima method, the addition of new data points changes historical seasonal factors. To avoid monthly data changes in the California Economic Indicators it is necessary to "freeze" the seasonally adjusted data through the past year and manually compute current year values from the projected seasonal factors. Thus historical revisions will be incorporated annually.

This series is an addition to the NBER indicator list. It is used here because it appears to show cyclical fluctuations clearly and extends the limited number of series presently available for the State.

Taxable sales are used here as a proxy for retail trade. Data on the latter are not available for California prior to 1964. The taxable series includes sales by both retail and wholesale establishments, and is, therefore, a broad indicator of business activity. It has been classified as a coincident indicator on the basis of fluctuations in the series since 1950. The other indicators shown are for general interest only. They are not directly related to the cyclical indicator series, but are of interest to persons looking at overall economic developments.

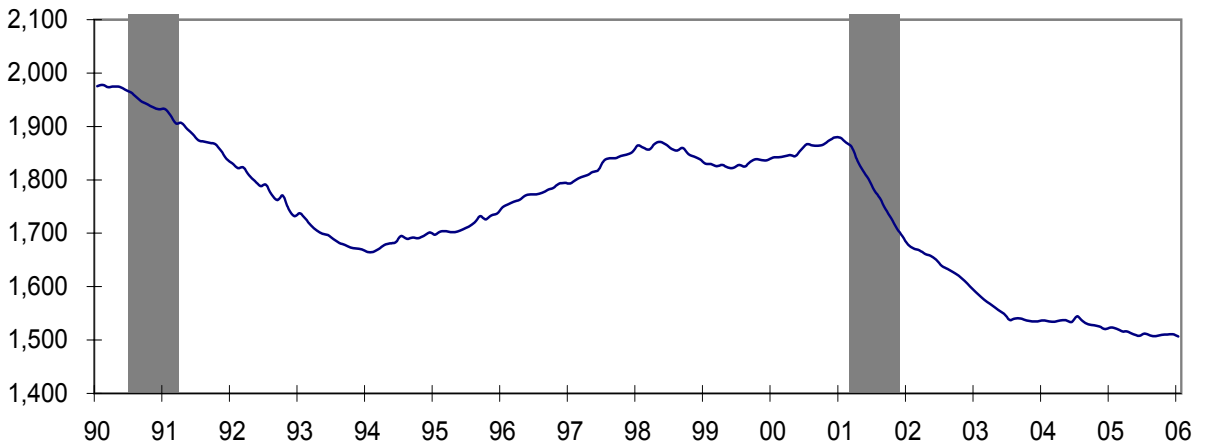
Nonagricultural Employment

(Thousands,
Seasonally Adjusted)

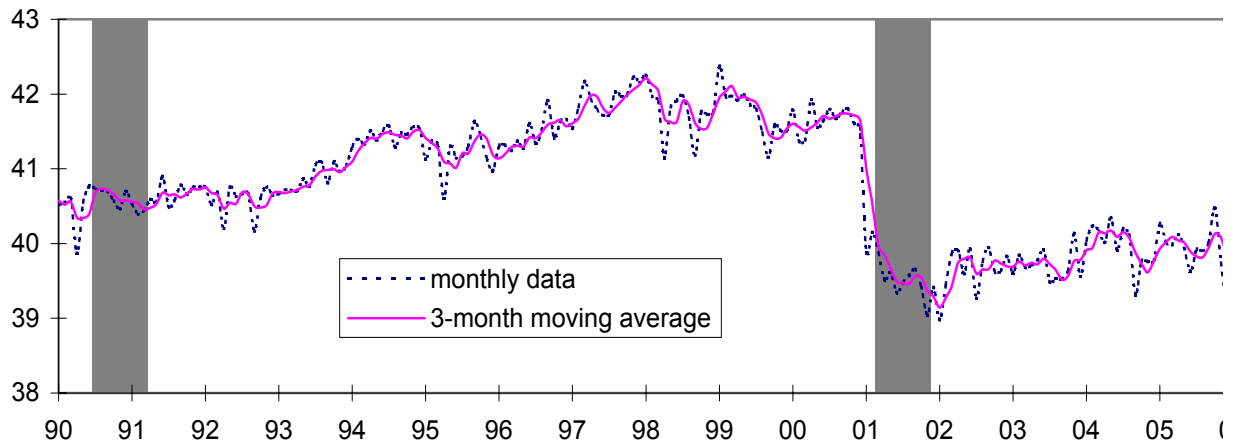


Manufacturing Employment

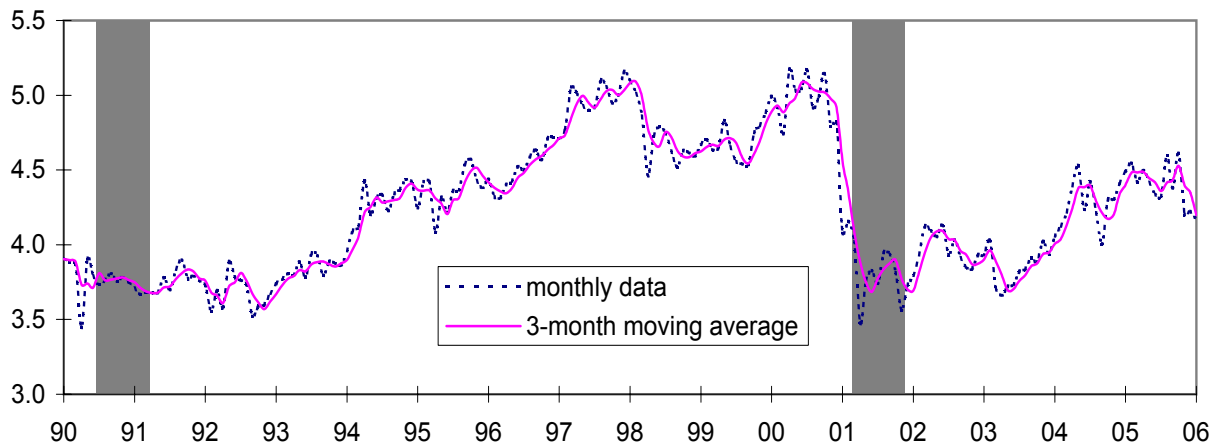
(Thousands,
Seasonally Adjusted)



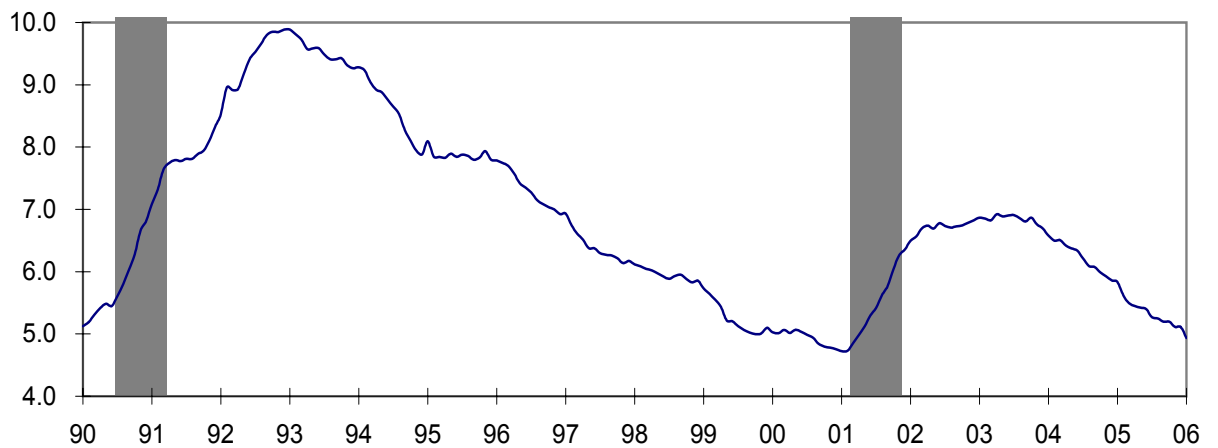
Average
Weekly Hours,
Manufacturing
(Seasonally Adjusted)



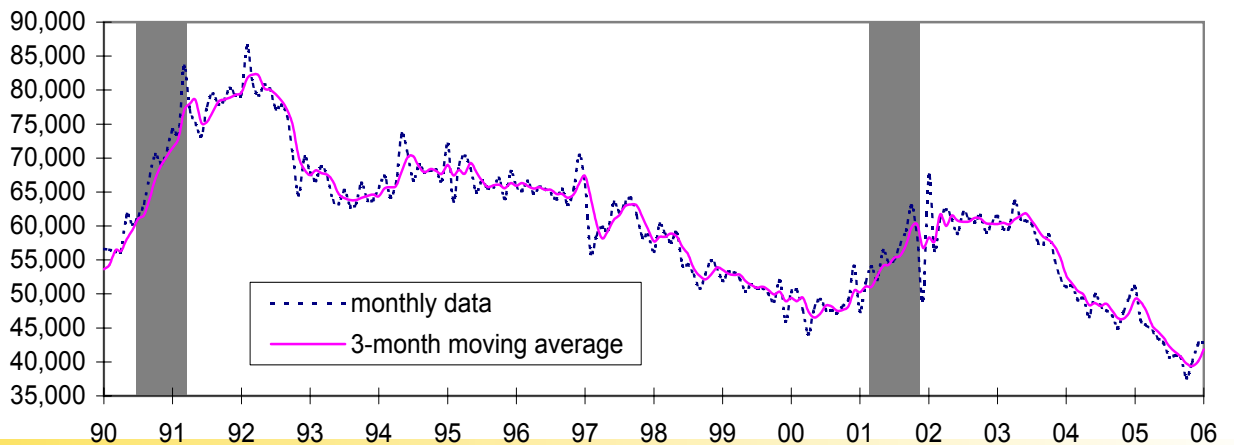
Average
Overtime Hours,
Manufacturing
(Seasonally Adjusted)



Unemployment
Rate
(Percent)

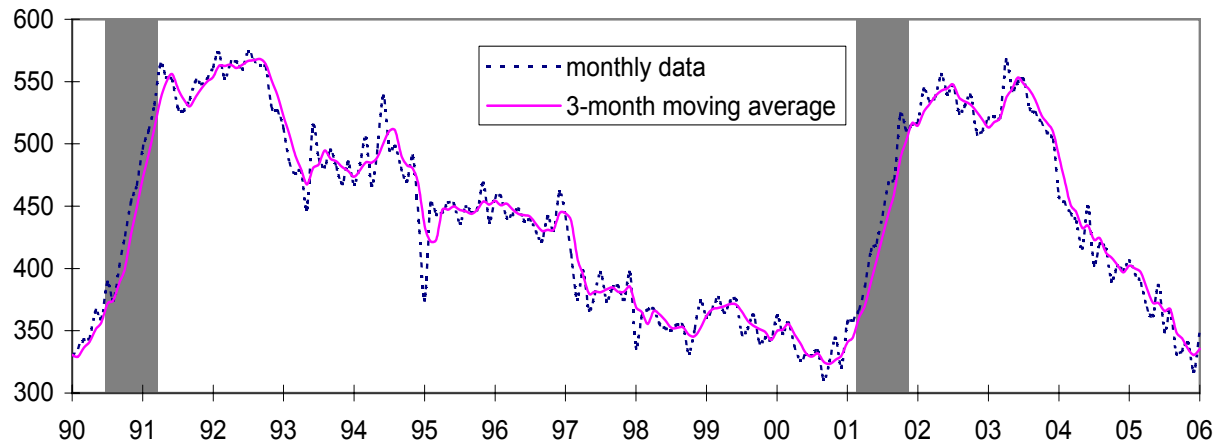


Initial &
Transitional
Claims for
Unemployment
Insurance
(Weekly Average,
Seasonally Adjusted)



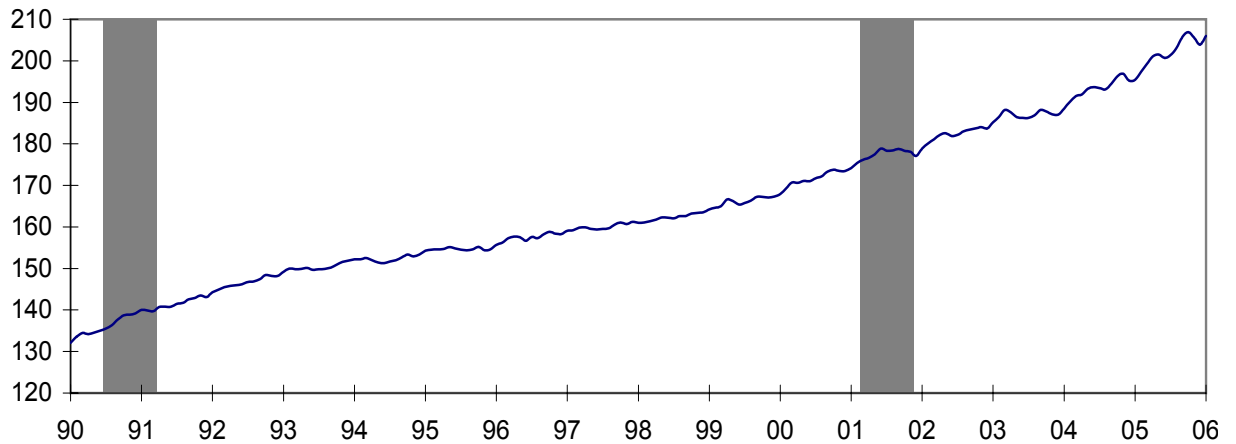
Unemployment, Average Weeks Claimed

(thousands,
Seasonally Adjusted)



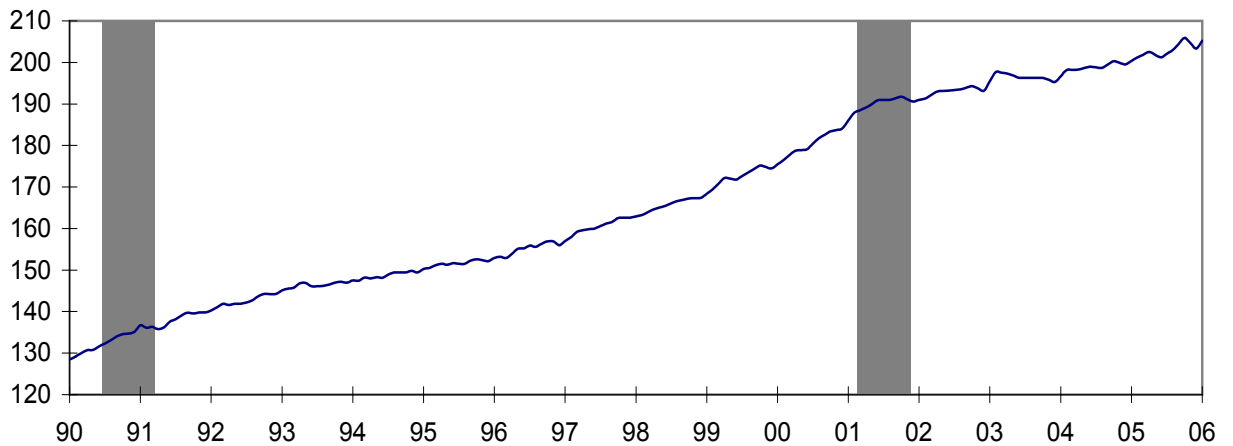
Consumer Price Index, Los Angeles

(1982-84=100)



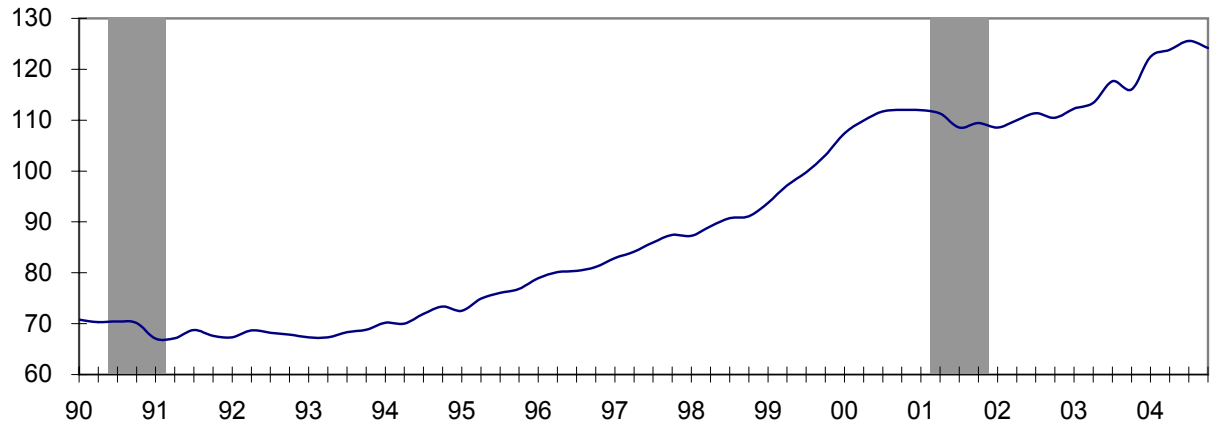
Consumer Price Index, San Francisco

(1982-84=100)



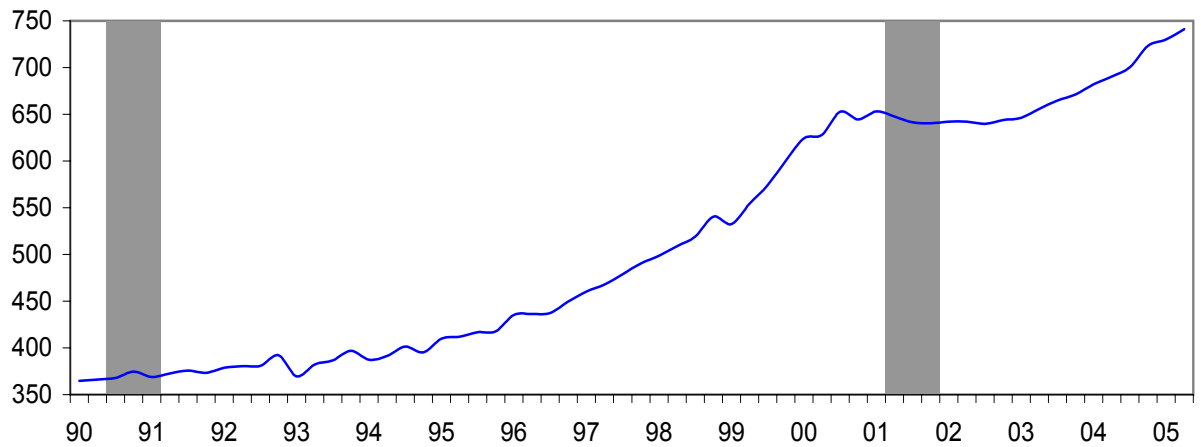
Taxable Sales

(Dollars in billions,
Seasonally Adjusted)



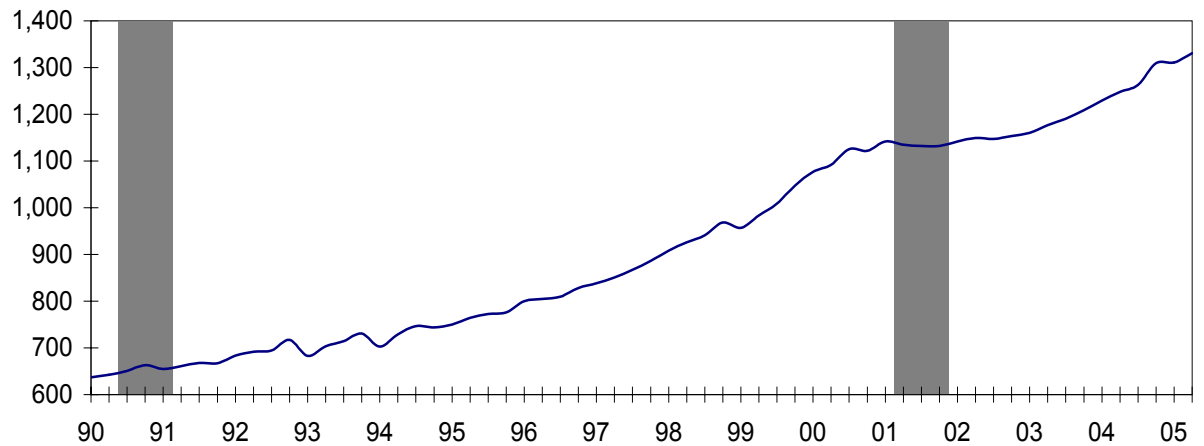
Wages and Salaries

(Dollars in billions, Seasonally Adjusted)



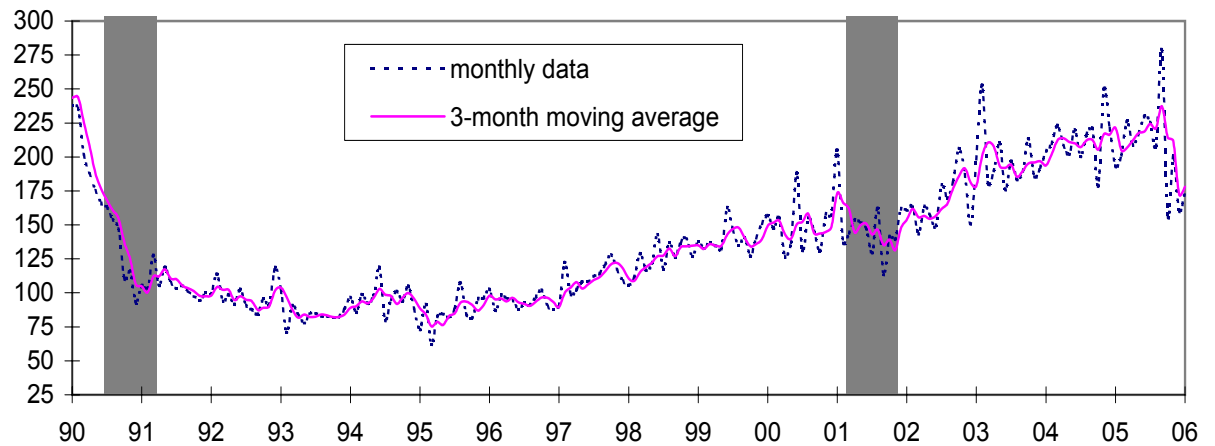
Personal Income

(Dollars in billions, Seasonally Adjusted)



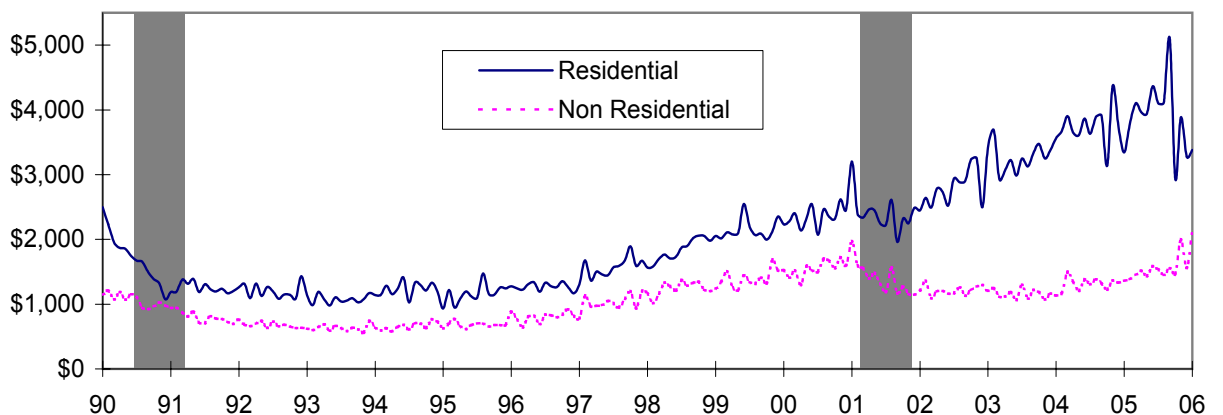
New Housing Units Authorized By Building Permits

(thousands, Seasonally Adjusted at Annual Rate)



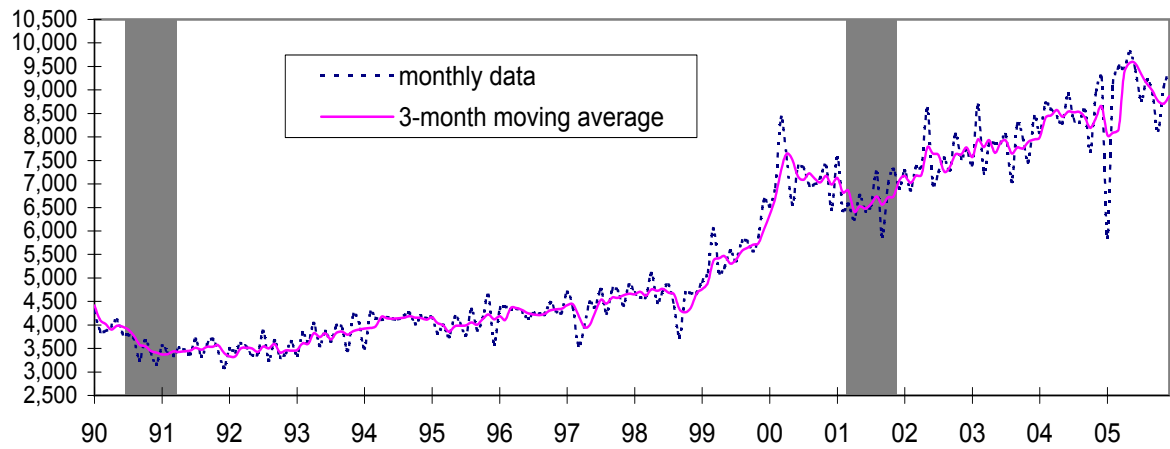
Residential & Nonresidential Building Permit Valuation

(Dollars in millions, Seasonally Adjusted)



New Business Incorporations

(Seasonally Adjusted)



■ CHRONOLOGY

The following summary lists economic, political, and natural developments which have influenced California economic indicators, and may account for unusual movements in the series. Appraisal of the charts will be facilitated in many cases by taking into consideration those factors which may be contributing to temporary directional changes in business activity which are not indicative of significant changes in the economic situation of the State. In addition, major national and international events of general interest have also been included. A similar summary of events dating back to 1956 is available at the Department's internet home page at: www.dof.ca.gov

2002

- September 27 –October 9** Cargo operations at 29 West Coast ports ground to a halt when terminal operators locked out unionized workers.
- November 6** Federal funds rate reduced from 1.75 percent to 1.25 percent.
Discount rate reduced from 1.25 percent to 0.75 percent.
- December 9** United Airlines filed for bankruptcy protection.
- December 19** Standard & Poor's lowered California's bond rating to an A from an A+.

2003

- February 10** Moody's lowered California's bond rating to A2 from A1.
- February 14–17** A major snowstorm hit the Middle Atlantic and Eastern states.
- February 26** Doctors in Hong Kong report the first case of a flu-type virus "Atypical Pneumonia"
now more commonly known as Severe Acute Respiratory Syndrome (SARS).
- March 20** Operation Iraqi Freedom begins.
- April 9** Baghdad falls and Iraqis and American troops topple statue of Saddam Hussein.
- April 14** President Bush declares conclusion of major combat operations in Iraq.
- June 25** Federal funds rate reduced from 1.25 percent to 1 percent, the lowest rate in 45 years.
- June 26** GDP up 1.4 percent in Q1.
- July 17** The US recession ended in November 2001, according to NBER.
- July 24** S&P lowered California's bond rating from "A" to "BBB".

July 25	United States Treasury begins mailing \$400 per child tax rebate checks.
August 2	Governor Gray Davis signs the 2003-04 state budget bill.
August 4	Moody's lowered California's bond rating from A2 to A3.
August 28	GDP grew at a revised 3.1 percent annual rate in the 2 nd quarter.
September 3	Light vehicle sales in the U.S. reach 19.0 million in August, the second best monthly rate ever.
October 21	Wildfires breakout in Southern California, eventually burning 743,000 acres and destroying over 3,500 homes.
October 30	GDP grew by 7.2 percent, its fastest rate since 1984.
December 4	President Bush ends steel tariffs.
December 12	Dow Jones Industrial average closed above 10,000 for the first time since May 24, 2002.
December 13	Saddam Hussein captured by American troops.
December 23	Final report shows GDP grew by 8.2 percent in the third quarter, its fastest rate since 1984.
December 24	U.S. confirms first case of "mad cow" disease.

2004

February 10	Unexpected cut in OPEC quota and cold weather contribute to higher oil prices.
February 11	Dow Jones Industrials closed at highest level in more than 2½ years.
March 25	Fourth quarter GDP rose 4.1 percent.
April 30	International oil prices hit a 3½ year high.
May 21	Moody's raised California's credit rating from "Baa1" to "A3".
May 27	First quarter GDP grew at a 4.4 percent annual rate.
June 30	Federal funds rate increased by 25 basis points bringing the rate up to 1.25 percent. It is over four years since the Fed last tightened rates.
August 9	Fitch removes California from Rating Watch Negative.
August 10	Federal funds rate raised from 1.25 percent to 1.50 percent.
August 24	S&P raised California's credit rating from "BBB" to "A".
August 27	Second quarter GDP grew at a 2.8 percent annual rate.
Mid-August	Hurricane Charley hits Florida
September	Three powerful hurricanes (Frances, Ivan, and Jeanne) hit Florida and some neighboring states.
September 21	Federal funds rate raised from 1.50 percent to 1.75 percent.
October 29	GDP grew at a 3.7 percent rate in the third quarter.
November 10	Federal funds rate raised from 1.75 percent to 2.00 percent.
December 14	Federal funds rate raised from 2.00 percent to 2.25 percent.
December 22	GDP grew at a 4.0 percent annual rate in the third quarter.
December 26	A magnitude 9.0 earthquake — the largest in 40 years — struck the northern Indonesian island of Sumatra, triggering a tsunami that killed tens of thousands of people in more than 11 countries.

2005

January 22-24	Blizzards blanketed large parts of the Northeast.
January 30	Iraq held its first free election in half a century.
February 2	Federal funds rate raised from 2.25 percent to 2.50 percent.
March 22	Federal funds rate raised from 2.50 to 2.75 percent.
March 30	GDP grew at an annual rate of 3.8 percent in the fourth quarter of 2004.
April 28	GDP increased at an annual rate of 3.1 percent in the first quarter of 2005.
May 3	Federal funds rate raised from 2.75 to 3.00 percent
June 29	GDP increased at an upwardly revised 3.8 percent in the first quarter of 2005.
June 30	Federal funds rate raised from 3.00 percent to 3.25 percent.
July 11	Governor Arnold Schwarzenegger signs the 2005-06 state budget bill. Moody's Investor Services and Fitch Ratings upgraded the state's bond ratings.
August 9	Federal funds rate raised from 3.25 percent to 3.50 percent.
August 29	Hurricane Katrina ripped through Louisiana, Mississippi and Alabama causing billions of dollars in damage.
August 31	GDP increased at an annual rate of 3.8 percent in the first quarter and 3.3 percent in the second quarter of 2005.
September 20	Federal funds rate raised from 3.50 percent to 3.75 percent.
October 14	Overall consumer prices rose at the fastest pace in more than 25 years last month.
October 17	The Bankruptcy Abuse Prevention and Consumer Protection Act of 2005 goes into effect.
October 24	Hurricane Wilma battered Florida.
November 1	Federal funds rate raised from 3.75 percent to 4.00 percent.
December 13	Federal funds rate raised from 4.00 percent to 4.25 percent.
December 15	CPI posts biggest drop since 1949.
December 21	GDP increased at an annual rate of 4.1 percent in the third quarter of 2005 In the second quarter, GDP increased 3.3 percent.

2006

January 31	Federal funds rate raised from 4.25 percent to 4.50 percent. Alan Greenspan steps down after more than 18 years as chairman of the Federal Reserve. Ben Bernanke was sworn in as the new chairman of the Federal Reserve.
February 17	A total of 38,300 new and resale houses and condos were sold in California last month. That's down 27.5 percent from December and down 9.5 percent from January 2005. Last month's sales count was the lowest since January 2002. The median price paid for a home last month was \$452,000. That's down 1.3 percent from December and up 13.0 percent from January 2005. Last month's year-over-year increase was the lowest since a 12.4 percent increase in March 2003 when the median reached \$290,000. Prices increased at their fastest rate in June 2004 when the \$382,000 median was up 23.2 percent from the same month a year before.
February 28	GDP increased at an annual rate of 1.6 percent in the fourth quarter of 2005, posting the smallest gain in three years.